



Amy G. Rabinowitz
Counsel

March 10, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-88E

Dear Secretary Cottrell:

I am enclosing the responses of Massachusetts Electric Company and Nantucket Electric Company to the Department's First Set of Information Requests in the above-captioned matter.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: John J. Geary (2 copies)
Sean Hanley (1 copy)
Stephen Crowley (1 copy)
Barry Perlmutter (1 copy)
Judith E. Laster (1 copy)

Responses to the Department's First Set of Information Requests

DTE 1-1

Request:

Please refer to Exh. TMB-3. Explain in detail what criteria must be met to establish a reserve for bad debt. Also, are there any recoveries included in the numbers shown in this exhibit? If so, provide the recovery amounts.

Response:

The Company employs the Black Motor Car Formula in determining its reserve for bad debts. This formula, which is generally accepted by the Internal Revenue Service, calculates the reserve for bad debts based on total average accounts receivable and actual bad debt experience for a rolling six year period.

Recoveries are included in the net charge-off amount appearing on Line (4) of Exhibit TMB-3. Please see the attachment to this response for the activity recorded in the reserve account for the years 1999 through 2003. The activity for 2003 indicates that approximately \$3.6 million of recoveries were recorded during 2003. This schedule was provided as part of a larger attachment to the data response to AG-MECO-1-1.

Prepared by or under the supervision of: Theresa M. Burns

Massachusetts Electric Company

Nantucket Electric Company

D.T.E. 03-88E

Responses to the Department's First Set of Information Requests

DTE 1-2

Request:

Please refer to Exh. TMB-3. Provide calculations of net charge-offs for years 2001 and 2002 in the format displayed in Exh. TMB-3.

Response:

Please see the response to this attachment for the requested information for the years 2001 and 2002.

Prepared by or under the supervision of: Theresa M. Burns

Massachusetts Electric Company
Nantucket Electric Company
Bad Debt Expense
Calculation of Net Charge-Offs: 2001, 2002, and 2003

		<u>2001</u>	<u>2002</u>	<u>2003</u>
(1)	Bad Debt Reserve @ January 1	\$13,227,694	\$14,719,719	\$12,705,013
(2)	Plus Additions to Reserve	\$13,412,411	\$13,374,999	\$13,989,298
(3)	Less Bad Debt Reserve @ December 31	<u>\$14,719,719</u>	<u>\$12,705,013</u>	<u>\$11,848,273</u>
(4)	Net Charge-Offs	\$11,920,386	\$15,389,705	\$14,846,038

- (1) 2001 & 2002: FERC Form 1, Page 110, Line 31, summed for Mass. Electric and Nantucket Electric
2003: Preliminary Company financial statements for FERC account 144
- (2) 2001 & 2002: FERC Form 1, Page 322, Line 132, summed for Mass. Electric and Nantucket Electric
2003: Preliminary Company financial statements for FERC account 904
- (3) 2001 & 2002: FERC Form 1, Page 110, Line 31, summed for Mass. Electric and Nantucket Electric
2003: Preliminary Company financial statements for FERC account 144
- (4) Line (1) + Line (2) - Line (3)

Responses to the Department's First Set of Information Requests

DTE 1-3

Request:

Please supply for each rate class as of December 12, 2003 (1) the total number of customers, and (2) the total number of default service customers.

Response:

The Company does not accumulate data in such a way that would provide the requested information as of December 12, 2003. Therefore, the Company is providing the requested information as of December 31, 2003.

The total number of customers as of December 31, 2003 per the Company's DOER Form 110 was 1,227,174, reflecting both Mass. Electric and Nantucket Electric.

The number of Default Service customers as of December 31, 2003 per the Company's DOER Form 110 was 396,823, reflecting both Mass. Electric and Nantucket Electric.

Prepared by or under the supervision of: Theresa M. Burns

Responses to the Department's First Set of Information Requests

DTE 1-4

Request:

Please refer to Exh. TMB-4, section 1, line 1. Explain why 2003 net charge-offs for the residential R-4 class are negative.

Response:

The Rate R-4 net charge-off amount shown in Exhibit TMB-4, Section 1, Line 1 is negative because the recoveries during 2003 were greater than the charge-offs during 2003. This is shown in Exhibit TMB-5, Page 1, which shows the components of the net charge-off amount for Rate R-4.

Prepared by or under the supervision of: Theresa M. Burns

Responses to the Department's First Set of Information Requests

DTE 1-5

Request:

Please refer to Exh. TMB-6, section 2, line 1. Explain the source of these recoveries (i.e., are these figures receipts from collection agencies or are there other contributing factors?).

Response:

The source for the recoveries shown in Exhibit TMB-6 is the Company's Customer Information System. However, recoveries of charged-off accounts consist of customer payments to our collection agents and attorneys, payments made directly to the Company, either by mail or through the Company's payment agencies, and a limited number of adjustments (e.g., at account initiation, the customer may make satisfactory payment arrangements, signs a Cromwell Waiver as required, and the charge-off amount is transferred to the new active account, or, in a very small number of occurrences, the Company may adjust a charge-off amount). Adjustments and transfers represent less than 10% of all recoveries.

Prepared by or under the supervision of: Theresa M. Burns

Responses to the Department's First Set of Information Requests

DTE 1-6

Request:

Please refer to the direct testimony of Ms. Burns at 9, lines 11 through 20. Describe what conditions must be met in order for an account to be eligible for charge-off. How much time must elapse before an account is charged-off?

Response:

The Company follows the same write-off policy as all of its New England affiliates. Sixty-three (63) billing cycles from the final bill date, or approximately ninety (90) calendar days, the account is charged off to bad debt. In some limited instances, the charge-off date may be accelerated if the Company has issued at least one (1) final bill notice and the US Postal Service indicates the mail for the account is being returned with no forwarding address. In those cases, the Company will charge off the account at that point to accelerate its placement with a collection agency for follow-up.

In even more limited circumstances, if a customer contacts the Company prior to charge-off and sets up a payment plan on his/her account and is keeping current with the plan (e.g. is less than two plan payments behind). In those cases, the Company will not charge off the account, but instead will allow the customer to continue to make payments on the account.

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Responses to the Department's First Set of Information Requests

DTE 1-7

Request:

Please refer to Exh. TMB-3, line 4 (\$14,846,038) and TMB-4, section 1, line 1 (\$15,484,888). Explain why the net charge-offs in the year 2003 as reported in the Company's book of accounts differ from the net charge offs recorded in the "CIS."

Response:

The amount shown on Section 1, Line (1) of Exhibit TMB-4 is activity relating to uncollectible accounts that is reflected in the Company's Customer Information System ("CIS"). This reflects balances charged off and gross recoveries received by the Company as part of its collection activities that flow through CIS. The source of this information is CIS, and the detail of the data on Line (1) can be found in Exhibit TMB-5.

The amount shown in Line (4) of Exhibit TMB-3 is the net charge-off amount derived through reviewing the reserve account's beginning balance, ending balance, and additions during 2003. There is additional activity reflected in the Company's reserve account recorded in its general ledger that does not pass through CIS. For example, refunds to customers who have overpaid amounts owed to the Company are paid out of the reserve account, as the original recovery would have been reflected in the reserve account. Also, if the recoveries that pass through CIS include an amount for sales tax, the sales tax amount is reflected in the CIS recoveries, but to properly reflect the general ledger balance of the reserve account, the amount of the sales tax included in the recoveries is transferred out of the reserve account and into the sales tax payable account. Other items which run through the reserve account on the general ledger but do not pass through CIS are court costs, bad checks, and escheat.

Therefore, since there is additional activity that is reflected in the reserve account on the general ledger as compared to the activity which passes through CIS, and typically what is recorded on the general ledger becomes the basis for bad debt cost in a rate case, the Company is only using the information in CIS as a means to allocate the recorded reserve to rate classes.

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